

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 INT-05 H-02 L-03 GSA-01 FTC-01

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E.O. 11652: N/A

TAGS: EFIN GV IBRD

SUBJECT: VISIT TO GUINEA OF IBRD REPRESENTATIVES

REFS: CONAKRY 1778 AND 1810

1. SUMMARY: FIVE-MAN TEAM FROM IBRD VISITED GUINEA OCT 26 TO NOV 5. PURPOSE OF TRIP FOURFOLD: 1) INSPECTION AND ASSESSMENT OF CBG BOKE PROJECT; 2) FURTHER WORK ON DABOYA PINEAPPLE PROJECT; 3) PREPARATORY WORK FOR NOVEMBER SIGNING OF ROADS IMPROVEMENT PROJECT; AND 4) ANALYSIS OF DEVELOPMENT POSSIBILITIES IN MINERAL SECTOR. AS IS BECOMING CASE WITH DELEGATIONS INTERESTED IN FINANCING OR PARTICIPATING IN GUINEAN DEVELOPMENT PROJECTS, GOG EXTENDED EVERY HOSPITALITY. IBRD VISIT -- AND WIDE RECEPTION ACCORDED THEM -- HAS INCREASED LIKELIHOOD OF FURTHER BANK INVESTMENTS IN GUINEA. END SUMMARY.

2. FIVE MAN TEAM INCLUDING MICHAEL GILLETTE AND GAYMOND RABEHARISOA OF THE IBRD AFRICA DIVISION, AND THREE EXPERTS FROM MINERALS DIVISION VISITED GUINEA OCT 26 TO NOV 5. VISIT MARKED FINAL DISBURSEMENT OF \$73.5 MILLION IBRD LOAN TO GUINEA FOR CBG BAUXITE PROJECT AT BOKE. ONE OF MAJOR PURPOSES WAS TO ASSESS PROJECT FROM DEVELOPMENT INVESTMENT POINT OF VIEW, ALTHOUGH LIMITED OFFICIAL USE

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MECHANICAL DIFFICULTIES WHICH HAVE PLAGUED PROJECT, IT IS NOW

AN IMPRESSIVE, PRODUCING CONCERN, AND IBRD GROUP EXPRESSED OPINION THAT CBG BOKE IS ONE OF BANK'S HOR SUCCESSES.

3. IBRD WAS LARGELY RESPONSIBLE FOR FINANCING PACKAGE WHICH PUT BOKE TOGETHER. IN SO DOING IT ASSUMED LARGE FINANCIAL RISK DUE TO POLITICAL UNKNOWN OF DEALING WITH GOG. DESPITE IMPOSITION OF BAUXITE EFFORT TAX IN JANUARY 1975, IBRD BELIEVES GOG HAS ADMIRABLY FULFILLED ITS END OF THE BOKE DEAL. ONLY MAJOR SHORT-COMING IS GOG'S DELINQUENCY IN REPAYING TWO LOANS EXTENDED BY AID FOR INFRASTRUCTURE CONSTRUCTION. (SEPTTEL)

4. IBRD-FINANCED DABOYA PINEAPPLE PLANTATION PROJECT (LOAN AGREEMENT ALREADY SIGNED FOR \$7 MILLION) IS MOVING SLOWLY AHEAD. THE BANK IS ALREADY FEELING SOME OF FRUSTRATIONS OF WORKING IN EASY GUINEAN ENVIRONMENT. IN CONTRAST TO CBG BOKE, THE BANK PLANS MINIMAL FOREIGN INTRUSION IN THE DABOYA PROJECT. THRUST OF DABOYA IS TO CREATE FOREIGN-EXCHANGE-EARNING AGRICULTURAL PRODUCTION OPERATION WHICH MAY BE USED (IBRD HOPES) AS STALKING HORSE FOR INTRODUCING MODERN AGRICULTURAL TECHNIQUES IN SURROUNDING VICINITY AND GIVE BANK SOME INFLUENCE OVER GOG COMMERCIAL POLICY.

5. THE FRENCH ACTING DIRECTOR OF THE PROJECT AND THE GUINEAN MANAGER ARE EXPERIENCING SIGNIFICANT DIFFICULTIES WHICH FOR THE MOST ARE LIMITED TO THE PERENNIAL GUINEAN PROBLEMS OF HOUSING, FOOD SUPPLY AND TRANSPORTATION.

6. GUINEAN MINISTER OF PUBLIC WORKS AND GEOLOGY, MOHAMED LAMINE TOURE, WILL VISIT IBRD IN LATE NOVEMBER TO SIGN A THIRD IBRD LOAN TO GUINEA. THE \$14 MILLION AGREEMENT WILL BE USED TO IMPROVE AND RESURFACE APPROXIMATELY 2,400 KILOMETERS OF EXISTING ROAD. AMONG AREAS TO BE IMPROVED WILL BE BOKE-CONAKRY ROAD, OPENING UP RICH AGRICULTURAL AREA TO INCREASED PRODUCTION.

7. WHILE IBRD VISIT PRIMARILY FOCUSED ON EXISTING PROJECTS, BIGGEST IMPACT IS LIKELY TO COME FROM LAST MINUTE ADDITION OF THREE EXPERTS FROM BANK'S MINERALS DIVISION. GOG PRESENTED IBRD WITH COMPLETE AND FRANK PICTURE OF GUINEA'S POSITION VIS-A-VIS FURTHER DEVELOPMENT OF MINERAL RESOURCES. GOG OFFICIALS MADE ALL LIMITED OFFICIAL USE

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RECORDS AVAILABLE AND MINCED NO WORDS IN EXPRESSING DISPLEASURE WITH SOVIET OBK BAUXITE OPERATION (SEE CONAKRY 1778) AND THEIR VIEW THAT BOKE, AND NOT OBK, IS MODEL TO FOLLOW. SINCE THE ADMINISTRATIVE (CBG/OFAM) AND FINANCIAL (65PERCENT /35PERCENT PROFITS SPLIT) PATTERN OF BOKE PROJECT WERE GENERATED BY IBRD, BANK WAS PARTICULARLY SATISFIED THAT GOG DEVELOPMENT POLICY HAS ACCEPTED BANK'S MODEL AS ONE TO BE EMULATED.

8. IBRD TEAM INDICATED, THEREFORE, THAT THERE IS GOOD CHANCE, BANK WILL BE PREPARED TO ASSIST GOG WITH MIFERGU-NIMBA IRON ORE PROJECT AND POSSIBLY THE AYEKOYE BAUXITE PROJECT.

9. ACTION REQUESTED: EMBASSY SUGGESTS DEPT MAINTAIN CLOSE CONTACT WITH IBRD OFFICIAL GILLETTE WHO HAS TAKEN PERSONAL INTEREST IN PUSHING GUINEAN CASE WITH BANK. GIVEN RECENT DEVELOPMENT KAISER INTEREST IN MIFERGUI-NIMBA (CONAKRY 1810) BELIEVE CLOSE COORDINATION WOULD BE HIGHLY DESIRABLE. KAISER HAS ALREADY ANNOUNCED INTENTION MEET WITH BOTH IBRD AND OPIC IN WASHINGTON; DEPT MAY WISH TAKE LEAD IN COORDINATING THESE DISCUSSIONS.
HARROP

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